

LONE TREE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

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LONE TREE COMMUNITY SCHOOL DISTRICT  
Officials  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Joel Yedlik	Board President	2011
Sheila Burr	Board Member	2011
Randy Rayner	Board Member	2013
Gary Feldman	Board Member	2013
James Loan	Board Member	2013
<b>School Officials</b>		
Michael Reeves	Superintendent	2011
Kelli D. Forbes	District Secretary/Treasurer	Indefinite
Brian Gruhn	Attorney	Indefinite

# KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive Suite 3  
Muscatine, Iowa 52761  
563-264-1385

## Independent Auditor's Report

To the Board of Education  
Lone Tree Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District, Lone Tree, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Lone Tree Community School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 23, 2012 on my consideration of Lone Tree Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lone Tree Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.



Kay L. Chapman, CPA PC  
January 23, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Lone Tree Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,973,511 in fiscal 2010 to \$4,387,887 in fiscal 2011, while General Fund expenditures increased from \$4,193,191 in fiscal 2010 to \$4,289,695 in fiscal 2011. The District's General Fund balance increased from \$467,550 in fiscal 2010 to \$561,967 in fiscal 2011, a 20% increase.
- The increase in General Fund revenues was attributable to increase in state aid in 2011. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lone Tree Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lone Tree Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lone Tree Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and enterprise funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Lone Tree Community School District Annual Financial Report**

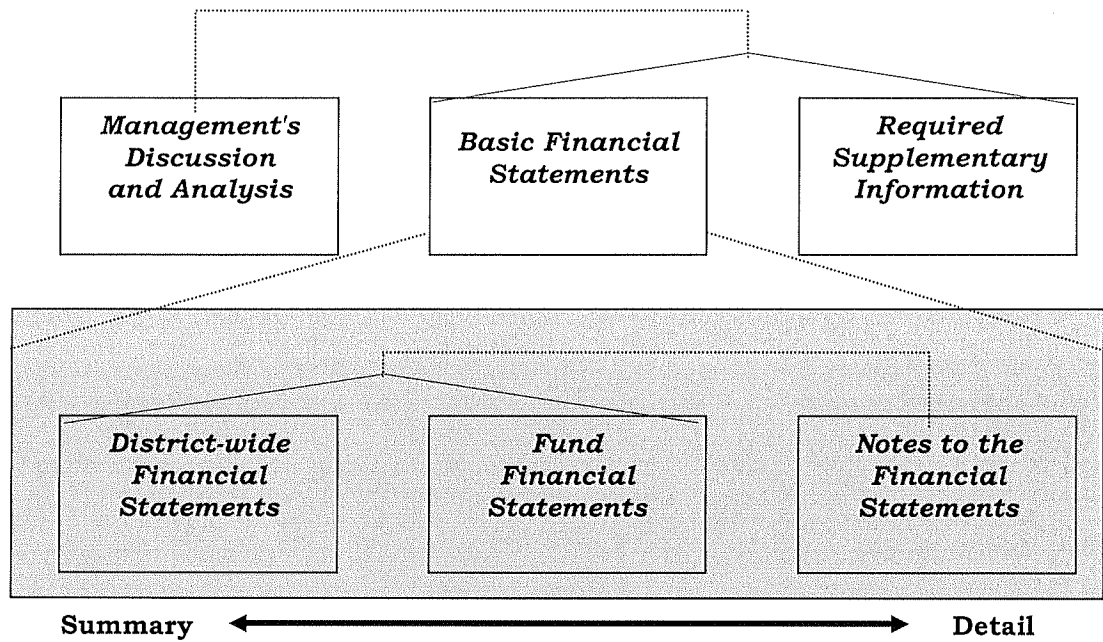




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool program	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues

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and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds also account for the District's Internal Service Fund, which is an accounting device used to accumulate and allocate costs internally among the District's various functions. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund and one internal service fund, Flex-benefit fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary fund include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Current and other assets	\$ 5,892,149	\$ 3,543,890	\$ 54,824	\$ 26,958	\$ 5,946,973	\$ 3,570,848	66.54%
Capital assets	<u>3,750,036</u>	<u>3,653,862</u>	<u>28,341</u>	<u>35,766</u>	<u>3,778,377</u>	<u>3,689,628</u>	2.41%
Total assets	<u>9,642,185</u>	<u>7,197,752</u>	<u>83,165</u>	<u>62,724</u>	<u>9,725,350</u>	<u>7,260,476</u>	33.95%
Long-term liabilities	4,634,970	2,560,637	-	-	4,634,970	2,560,637	81.01%
Other liabilities	<u>1,819,592</u>	<u>1,770,486</u>	<u>2,195</u>	<u>1,371</u>	<u>1,821,787</u>	<u>1,771,857</u>	2.82%
Total liabilities	<u>6,454,562</u>	<u>4,331,123</u>	<u>2,195</u>	<u>1,371</u>	<u>6,456,757</u>	<u>4,332,494</u>	49.03%
Net assets							
Invested in capital assets,							
net of related debt	1,520,036	1,168,862	28,341	35,766	1,548,377	1,204,628	28.54%
Restricted	1,223,857	1,125,592	-	-	1,223,857	1,125,592	8.73%
Unrestricted	<u>443,730</u>	<u>572,175</u>	<u>52,629</u>	<u>25,587</u>	<u>496,359</u>	<u>597,762</u>	-16.96%
Total net assets	<u>\$ 3,187,623</u>	<u>\$ 2,866,629</u>	<u>\$ 80,970</u>	<u>\$ 61,353</u>	<u>\$ 3,268,593</u>	<u>\$ 2,927,982</u>	11.63%

The District's combined net assets increased by approximately 12%, or \$340,611, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$98,265, or approximately 9% over the prior year. The increase is due primarily to a growing fund balance in the Capital Projects - Statewide Sales, Services and Use Tax Fund this fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$101,403, or approximately 17%. The decrease was due to increase in salaries and benefits that were greater than revenues received due partly because of the lower allowable growth.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4  
Change in Net Assets

Revenues	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Program revenues							
Charges for service and sales	\$ 725,657	\$ 720,354	\$ 136,271	\$ 142,464	\$ 861,928	\$ 862,818	-0.10%
Operating grants	841,805	900,741	102,141	83,222	943,946	983,963	-4.07%
General revenues							
Property tax	1,787,322	1,744,399	-	-	1,787,322	1,744,399	2.46%
Local option sales, services and use tax	485,149	426,741	-	-	485,149	426,741	13.69%
Unrestricted state grants	1,498,084	1,170,187	-	-	1,498,084	1,170,187	28.02%
Contributions and donations	-	4,500	-	-	-	4,500	-100.00%
Unrestricted investment earnings	2,685	5,470	106	156	2,791	5,626	-50.39%
Other	<u>81,970</u>	<u>15,280</u>	<u>=</u>	<u>=</u>	<u>81,970</u>	<u>15,280</u>	436.45%
Total revenues	<u>5,422,672</u>	<u>4,987,672</u>	<u>238,518</u>	<u>225,842</u>	<u>5,661,190</u>	<u>5,213,514</u>	8.59%
Program expenses							
Governmental activities							
Instruction	3,114,894	3,057,946	-	-	3,114,894	3,057,946	1.86%
Support services	1,330,685	1,340,308	-	-	1,330,685	1,340,308	-0.72%
Non-instructional programs	14,983	18,851	234,307	249,436	249,290	268,287	-7.08%
Other expenses	<u>622,819</u>	<u>511,136</u>	<u>=</u>	<u>=</u>	<u>622,819</u>	<u>511,136</u>	21.85%
Total expenses	<u>5,083,381</u>	<u>4,928,241</u>	<u>234,307</u>	<u>249,436</u>	<u>5,317,688</u>	<u>5,177,677</u>	2.70%
Excess (deficiency) before special item & transfers	339,291	59,431	4,211	(23,594)	343,502	35,837	858.51%
Special item - loss on disposal of fixed assets	(2,891)	-	-	-	(2,891)	-	-100.00%
Transfers	<u>(15,406)</u>	<u>(27,494)</u>	<u>15,406</u>	<u>27,494</u>	<u>=</u>	<u>=</u>	0.00%
Increase in net assets	320,994	31,937	19,617	3,900	340,611	35,837	850.45%
Net assets, beginning of year	<u>2,866,629</u>	<u>2,834,692</u>	<u>61,353</u>	<u>57,453</u>	<u>2,927,982</u>	<u>2,892,145</u>	1.24%
Net assets, end of year	<u>\$ 3,187,623</u>	<u>\$ 2,866,629</u>	<u>\$ 80,970</u>	<u>\$ 61,353</u>	<u>\$ 3,268,593</u>	<u>\$ 2,927,982</u>	11.63%

In fiscal 2011, property tax and unrestricted state grants account for approximately 61% of the revenue from governmental activities while charges for service and sales and operating grants and contributions accounts for approximately 99% of the revenue from business type activities.

The District's total revenues were \$5,661,190 of which \$5,422,672 was for governmental activities and \$238,518 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9% increase in revenues and a 3% increase in expenses. The increase in revenues is primarily because of an increase in property tax funds and state aid payments. The increase in expenses is related to increases in the negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$5,422,672 and expenses were \$5,083,381 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,114,894	\$ 3,057,946	1.9%	\$ 1,722,004	\$ 1,595,078	8.0%
Support services	1,330,685	1,340,308	-0.7%	1,324,124	1,335,853	-0.9%
Non-instructional programs	14,983	18,851	-20.5%	14,983	18,851	-20.5%
Other expenses	<u>622,819</u>	<u>511,136</u>	21.8%	<u>454,808</u>	<u>357,364</u>	27.3%
Total expenses	<u>\$ 5,083,381</u>	<u>\$ 4,928,241</u>	3.1%	<u>\$ 3,515,919</u>	<u>\$ 3,307,146</u>	6.3%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$725,657.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$841,805.
- The net cost of governmental activities was financed with \$2,272,471 in property and other taxes and \$1,498,084 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$238,518, representing a 6% increase over the prior year while expenses were \$234,307, a 6% decrease from the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

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## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Lone Tree Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,903,557, well above last year's ending fund balances of \$1,577,981. This increase over last year's ending fund balance was due to an increase in Debt Service Fund balance because of crossover refunding bonds.

### **Governmental Fund Highlights**

- The District's General Fund balance increased by \$94,417 as a result of increased state funding and increased expenditures for negotiated salary and benefits.
- The Capital Projects – Statewide Sales, Services and Use Tax Fund balance increased from \$429,676 in 2010 to \$663,972 in 2011 due to a decrease of spending in the Local Option Sales Tax Fund.
- The Debt Service Fund balance increased from \$4,203 in 2010 to \$2,173,698 in 2011 due to the refunding of general obligation bonds. The refunded bonds will be called and repaid during the year ending June 30, 2012.

### **Proprietary Fund Highlights**

Enterprise Funds net assets increased from \$61,353 at June 30, 2010 to \$80,970 at June 30, 2011 representing an increase of approximately 32%. This change is due primarily to the state- approved preschool program that is run through the General Fund.

## **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2011, the Lone Tree Community School District did not amend its adopted budget.

The District's revenues were \$848,161 less than budgeted revenue, a variance of 13%. This variance was a result of receiving less other local revenue and state revenue than budgeted.

Total expenditures were \$1,014,158 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$3,778,377, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 2% over last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$228,840.

The original cost of the District's capital assets was \$6,743,324. Governmental funds account for \$6,574,698, with the remainder of \$168,626 accounted for in the enterprise, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings category decreased from \$65,316 at June 30, 2010 to \$48,987 at June 30, 2011 due to annual depreciation expense during 2011.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-</u> <u>2011</u>
Land	\$ 162,365	\$ 162,365	\$ -	\$ -	\$ 162,365	\$ 162,365	0.00%
Buildings and improvements	3,004,936	3,086,512	-	-	3,004,936	3,086,512	-2.64%
Improvements other than buildings	48,987	65,316	-	-	48,987	65,316	-25.00%
Furniture and equipment	<u>533,748</u>	<u>339,669</u>	<u>28,341</u>	<u>35,766</u>	<u>562,089</u>	<u>375,435</u>	49.72%
Totals	<u>\$3,750,036</u>	<u>\$3,653,862</u>	<u>\$ 28,341</u>	<u>\$ 35,766</u>	<u>\$3,778,377</u>	<u>\$3,689,628</u>	2.41%

### Long-Term Debt

At June 30, 2011, the District had \$4,634,970 in general obligation debt and other long-term debt outstanding. This represents an increase of approximately 78% over last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District carries a general obligation bond rating of Aa2 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.6 million.

On December 22, 2010, the District issued \$2,230,000 of general obligation refunding bonds in a crossover refunding of the general obligation bonds issued March 1, 2002. The

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remaining balance of \$2,310,000 on the 2002 bond issue will be called and repaid on May 1, 2012. The old bond issue was not considered to be extinguished at June 30, 2011.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	School District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-</u> <u>2011</u>
General obligation bonds	\$ 2,310,000	\$ 2,485,000	-7.04%
Refunding bonds	2,230,000	-	100.00%
Early retirement	27,475	41,809	-34.28%
Net OPEB liability	<u>67,495</u>	<u>33,828</u>	99.52%
Total	<u>\$ 4,634,970</u>	<u>\$ 2,560,637</u>	81.01%

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of a few existing circumstances that could significantly affect its financial health in the future:

- The District continues to evaluate the condition of transportation vehicles and the rotation for replacement of these vehicles.
- The negotiation of salaries and benefits for all district employees. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelli Forbes, District Secretary/Treasurer and Business Manager, Lone Tree Community School District, 303 S Devoe Street, Lone Tree, Iowa, 52755.



## Basic Financial Statements

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents			
Cash with fiscal agent	\$ 2,165,708	\$ -	\$2,165,708
Other	1,743,779	48,872	1,792,651
Receivables			
Property tax			
Delinquent	20,023	-	20,023
Succeeding year	1,648,081	-	1,648,081
Accounts receivable	1,143	-	1,143
Income surtax	188,962	-	188,962
Due from other governments	124,453	1,125	125,578
Inventories	-	4,827	4,827
Non-depreciable capital assets	162,365	-	162,365
Capital assets, net of accumulated depreciation	<u>3,587,671</u>	<u>28,341</u>	<u>3,616,012</u>
Total assets	<u>9,642,185</u>	<u>83,165</u>	<u>9,725,350</u>
<b>Liabilities</b>			
Accounts payable	145,279	2,195	147,474
Accrued interest payable	26,232	-	26,232
Deferred revenue			
Succeeding year property tax	1,648,081	-	1,648,081
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	2,310,000	-	2,310,000
Early retirement payable	15,935	-	15,935
Portion due after one year			
General obligation bonds payable	2,230,000	-	2,230,000
Early retirement payable	11,540	-	11,540
Net OPEB liability	<u>67,495</u>	<u>-</u>	<u>67,495</u>
Total liabilities	<u>6,454,562</u>	<u>2,195</u>	<u>6,456,757</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,520,036	28,341	1,548,377
Restricted for			
Categorical funding	57,114	-	57,114
Student activities	108,692	-	108,692
Physical plant and equipment	9,999	-	9,999
School infrastructure	1,048,052	-	1,048,052
Unrestricted	<u>443,730</u>	<u>52,629</u>	<u>496,359</u>
Total net assets	<u>\$ 3,187,623</u>	<u>\$ 80,970</u>	<u>\$3,268,593</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

<u>Functions/Programs</u> Governmental activities	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Activities</u>	<u>Activities</u> <u>Total</u>
Instruction						
Regular instruction	\$1,771,134	\$472,528	\$424,226	\$ -	\$ (874,380)	\$ (874,380)
Special instruction	569,712	97,693	108,198	-	(363,821)	(363,821)
Other instruction	774,048	155,436	134,809	-	(483,803)	(483,803)
	<u>3,114,894</u>	<u>725,657</u>	<u>667,233</u>	<u>-</u>	<u>(1,722,004)</u>	<u>(1,722,004)</u>
Support services						
Student	81,647	-	-	-	(81,647)	(81,647)
Instructional staff	76,581	-	-	-	(76,581)	(76,581)
Administration	577,318	-	-	-	(577,318)	(577,318)
Operation and maintenance of plant	454,107	-	-	-	(454,107)	(454,107)
Transportation	141,032	-	3,454	-	(137,578)	(137,578)
Central support	-	-	3,107	-	3,107	3,107
	<u>1,330,685</u>	<u>-</u>	<u>6,561</u>	<u>-</u>	<u>(1,324,124)</u>	<u>(1,324,124)</u>
	<u>14,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,983)</u>	<u>(14,983)</u>
Non-instructional programs						
Other expenses						
Facilities acquisition	148,563	-	-	-	(148,563)	(148,563)
Long-term debt interest	197,050	-	-	-	(197,050)	(197,050)
AEA flowthrough	168,011	-	168,011	-	-	-
Depreciation (unallocated) *	109,195	-	-	-	(109,195)	(109,195)
	<u>622,819</u>	<u>-</u>	<u>168,011</u>	<u>-</u>	<u>(454,808)</u>	<u>(454,808)</u>
Total governmental activities	<u>5,083,381</u>	<u>725,657</u>	<u>841,805</u>	<u>-</u>	<u>(3,515,919)</u>	<u>(3,515,919)</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities
<b><u>Functions/Programs (continued)</u></b>					
Business type activities					
Non-instructional programs					
Food service operations	\$ 234,307	\$ 121,210	\$ -	\$ -	\$ (10,956)
Preschool program	-	15,061	-	-	15,061
Total business type activities	<u>234,307</u>	<u>136,271</u>	<u>-</u>	<u>-</u>	<u>4,105</u>
Total	<u>\$5,317,688</u>	<u>\$ 861,928</u>	<u>\$ -</u>	<u>(3,515,919)</u>	<u>(3,511,814)</u>
<b><u>General Revenues</u></b>					
Property tax levied for					
General purposes				1,492,982	1,492,982
Debt service				163,089	163,089
Capital outlay				131,251	131,251
Statewide sales, services and use tax				485,149	485,149
Unrestricted state grants				1,498,084	1,498,084
Unrestricted investment earnings				2,685	2,791
Other				81,970	81,970
Special item - loss on disposal of fixed assets				(2,891)	(2,891)
Transfers				(15,406)	-
Total general revenues, special item and transfers				<u>3,836,913</u>	<u>3,852,425</u>
Change in net assets				<u>15,512</u>	<u>15,512</u>
Net assets, beginning of year				<u>320,994</u>	<u>340,611</u>
Net assets, end of year				<u>2,866,629</u>	<u>2,927,982</u>
				<u>\$ 80,970</u>	<u>\$3,268,593</u>

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Capital Projects Statewide Sales, Services and Use Tax	Debt Service	Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 586,640	\$ 636,293	\$ 5,983	\$ 508,593	\$ 1,737,509
Cash with fiscal agent	-	-	2,165,708	-	2,165,708
Receivables					
Property tax					
Delinquent	15,546	-	2,007	2,470	20,023
Succeeding year	1,396,409	-	50,075	201,597	1,648,081
Accounts receivable	1,143	-	-	-	1,143
Income surtax	188,962	-	-	-	188,962
Due from other governments	83,256	41,197	-	-	124,453
Total assets	<u>\$2,271,956</u>	<u>\$677,490</u>	<u>\$2,223,773</u>	<u>\$712,660</u>	<u>\$5,885,879</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 124,618	\$ 13,518	\$ -	\$ 7,143	\$ 145,279
Deferred revenue	-				
Succeeding year property tax	1,396,409	-	50,075	201,597	1,648,081
Income surtax	188,962	-	-	-	188,962
Total liabilities	<u>1,709,989</u>	<u>13,518</u>	<u>50,075</u>	<u>208,740</u>	<u>1,982,322</u>
<b>Fund balances</b>					
Restricted for					
Categorical funding	57,114	-	-	-	57,114
School infrastructure	-	663,972	-	384,080	1,048,052
Debt service	-	-	2,173,698	-	2,173,698
Student activities	-	-	-	108,692	108,692
Management levy purposes	-	-	-	1,149	1,149
Physical plant and equipment	-	-	-	9,999	9,999
Unassigned	504,853	-	-	-	504,853
Total fund balances	<u>561,967</u>	<u>663,972</u>	<u>2,173,698</u>	<u>503,920</u>	<u>3,903,557</u>
Total liabilities and fund balances	<u>\$2,271,956</u>	<u>\$677,490</u>	<u>\$2,223,773</u>	<u>\$712,660</u>	<u>\$5,885,879</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

Exhibit D

<b>Total fund balances of governmental funds</b>	<b>\$3,903,557</b>
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**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,750,036
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	188,962
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(26,232)
--	----------

The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	6,270
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Long-term liabilities, including bonds payable, early termination benefits payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,634,970)</u>
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<b>Net assets of governmental activities</b>	<b><u>\$3,187,623</u></b>
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See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects			
		Statewide		Nonmajor	
		Sales, Services	Debt	Governmental	
Revenues	General	and Use Tax	Service	Funds	Total
Local sources					
Local tax	\$1,410,809	\$ 485,149	\$ 160,539	\$ 196,188	\$2,252,685
Tuition	518,052	-	-	-	518,052
Other	101,782	-	2,474	174,192	278,448
State sources	2,081,520	-	75	89	2,081,684
Federal sources	275,724	-	-	-	275,724
Total revenues	<u>4,387,887</u>	<u>485,149</u>	<u>163,088</u>	<u>370,469</u>	<u>5,406,593</u>
Expenditures					
Current					
Instruction					
Regular	1,657,320	118,139	-	37,462	1,812,921
Special	565,252	-	-	-	565,252
Other	599,062	-	-	179,554	778,616
	<u>2,821,634</u>	<u>118,139</u>	<u>-</u>	<u>217,016</u>	<u>3,156,789</u>
Support services					
Student	80,295	-	-	327	80,622
Instructional staff	107,521	61,146	-	28,717	197,384
Administration	564,521	4,164	-	6,430	575,115
Operation and maintenance of plant	435,605	34,625	-	35,425	505,655
Transportation	112,108	-	-	6,833	118,941
	<u>1,300,050</u>	<u>99,935</u>	<u>-</u>	<u>77,732</u>	<u>1,477,717</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>-</u>	<u>569</u>	<u>569</u>
Other expenditures					
Facilities acquisition	-	32,779	-	115,784	148,563
Long-term debt					
Principal	-	-	175,000	-	175,000
Interest and fiscal charges	-	-	180,593	-	180,593
AEA flowthrough	168,011	-	-	-	168,011
	<u>168,011</u>	<u>32,779</u>	<u>355,593</u>	<u>115,784</u>	<u>672,167</u>
Total expenditures	<u>4,289,695</u>	<u>250,853</u>	<u>355,593</u>	<u>411,101</u>	<u>5,307,242</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects Statewide Sales, Services and Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 98,192	\$ 234,296	\$ (192,505)	\$ (40,632)	\$ 99,351
Other financing sources (uses)					
Sale of equipment and materials	11,631	-	-	-	11,631
Proceeds from issuance of bonds	-	-	2,230,000	-	2,230,000
Interfund operating transfers in	-	-	132,000	-	132,000
Interfund operating transfers (out)	(15,406)	-	-	(132,000)	(147,406)
Total other financing sources (uses)	(3,775)	-	2,362,000	(132,000)	2,226,225
Net change in fund balances	94,417	234,296	2,169,495	(172,632)	2,325,576
Fund balance, beginning of year, as restated	467,550	429,676	4,203	676,552	1,577,981
Fund balance, end of year	\$ 561,967	\$ 663,972	\$2,173,698	\$ 503,920	\$3,903,557

See notes to financial statements.



LONE TREE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2011

Exhibit F

<b>Net change in fund balances - total governmental funds</b>		<b>\$2,325,576</b>
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:		
Expenditures for capital assets	\$ 317,907	
Loss on disposal of capital assets	(2,891)	
Depreciation expense	<u>(218,842)</u>	96,174
Certain revenues not collected for several months after year-end are not considered available revenue and are deferred in the governmental funds.		(10,758)
The Internal Service Fund is used by the District to charge the costs of the flex-benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		792
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:		
Issued	(2,230,000)	
Repaid	<u>175,000</u>	(2,055,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Early retirement	14,334	
Other postemployment benefits	<u>(33,667)</u>	(19,333)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>(16,457)</u>
<b>Change in net assets of governmental activities</b>		<b><u>\$ 320,994</u></b>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT

Exhibit G

Statement of Net Assets

Proprietary Funds

June 30, 2011

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
<b>Assets</b>		
Cash and pooled investments	\$ 48,872	\$ 6,270
Due from other governments	1,125	-
Inventories	4,827	-
Capital assets, net of accumulated depreciation	28,341	-
Total assets	<u>83,165</u>	<u>6,270</u>
<b>Liabilities</b>		
Accounts payable	<u>2,195</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets	28,341	-
Unrestricted	52,629	6,270
Total net assets	<u>\$ 80,970</u>	<u>\$ 6,270</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

Exhibit H

	Business Type	Governmental
	<u>Activities</u>	<u>Activity</u>
	<u>Nonmajor</u>	<u>Internal</u>
	<u>Enterprise</u>	<u>Service</u>
Operating revenue		
Local sources		
Charges for service	<u>\$136,271</u>	<u>\$ 15,206</u>
Operating expenses		
Support services		
Operation and maintenance of plant		
Purchased services	<u>150</u>	<u>-</u>
	<u>150</u>	<u>-</u>
Non-instructional programs		
Food service operations		
Salaries	81,993	-
Benefits	16,719	-
Supplies	1,437	-
Miscellaneous	124,010	-
Depreciation	<u>9,998</u>	<u>-</u>
	<u>234,157</u>	<u>-</u>
Other enterprise operations		
Purchased services	<u>-</u>	<u>14,414</u>
Total operating expenses	<u>234,307</u>	<u>14,414</u>
Operating income (loss)	<u>(98,036)</u>	<u>792</u>
Non-operating revenue		
Interest income	106	-
State sources	2,201	-
Federal sources	<u>99,940</u>	<u>-</u>
Total non-operating revenue	<u>102,247</u>	<u>-</u>
Net income before transfers	4,211	792
Interfund operating transfer in	<u>15,406</u>	<u>-</u>
Net income	19,617	792
Net assets, beginning of year	<u>61,353</u>	<u>5,478</u>
Net assets, end of year	<u>\$ 80,970</u>	<u>\$ 6,270</u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

Exhibit I

	Business Type <u>Activities</u> Nonmajor <u>Enterprise</u>	Governmental <u>Activity</u> Internal <u>Service</u>
Cash flows from operating activities		
Cash received from sale of services	\$ 136,521	\$ 15,206
Cash payments to employees for services	(98,712)	-
Cash payments to suppliers for goods and services	(109,957)	(14,414)
Net cash provided by (used in) operating activities	<u>(72,148)</u>	<u>792</u>
Cash flows from non-capital financing activities		
Operating transfers from other funds	15,406	-
State grants received	2,201	-
Federal grants received	84,806	-
Net cash provided by non-capital financing activities	<u>102,413</u>	<u>-</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	<u>(2,573)</u>	<u>-</u>
Cash flows from investing activities		
Interest on investments	<u>106</u>	<u>-</u>
Net increase in cash and cash equivalents	27,798	792
Cash and cash equivalents, beginning of year	33,819	5,478
Cash and cash equivalents, end of year	<u>\$ 61,617</u>	<u>\$ 6,270</u>

**Reconciliation of operating income (loss) to net cash  
provided by (used in) operating activities**

Operating income (loss)	\$ (98,036)	\$ 792
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	9,998	-
Commodities used	15,134	-
Decrease in accounts receivable	(318)	-
Decrease in due from other government	250	-
(Decrease) in accounts payable	824	-
Net cash provided by (used in) operating activities	<u>\$ (72,148)</u>	<u>\$ 792</u>

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2011 the District received \$15,134 of federal commodities.

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

Exhibit J

	Private Purpose Trust <u>Scholarships</u>
<b>Assets</b>	
Cash and pooled investments	\$5,675
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Reserved for scholarships	<u><u>\$5,675</u></u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended June 30, 2011

Exhibit K

	<u>Private Purpose Trust Scholarships</u>
Additions	
Local sources	
Gifts and contributions	\$1,550
Interest	<u>29</u>
Total additions	1,579
Deductions	
Instruction, regular	
Scholarships	<u>1,500</u>
Change in net assets	79
Net assets, beginning of year	<u>5,596</u>
Net assets, end of year	<u><u>\$5,675</u></u>

See notes to financial statements.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2011

**Note 1. Summary of Significant Accounting Policies**

The Lone Tree Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, as well as a regular education preschool program. The geographic area served includes the City of Lone Tree, Iowa, and the agricultural territory in Johnson and Louisa Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Lone Tree Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Lone Tree Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects – Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports no major proprietary funds; however, it reports the following nonmajor proprietary funds.

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service operations and preschool program of the District, respectively. Additionally, the District reports an Internal Service Fund which is used to account for the flex-benefit plan for District employees.



The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these

pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	\$ 500
Improvements other than buildings	\$ 500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds as well as property tax receivables and income surtaxes not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$9,999 for physical plant and equipment, \$108,692 for student activities and \$1,048,052 for school infrastructure.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,261,422, pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### **Note 3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
	Nonmajor governmental Capital projects	
Debt service	Building projects	\$ 132,000

Transfers generally move revenues from the fund statutorily required to collect resources to the fund statutorily required to expend the resources. The transfer from the Capital Projects Fund to the Debt Service Fund was to make payments of principal and interest on long-term debt.

#### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 162,365	\$ -	\$ -	\$ 162,365
Capital assets being depreciated:				
Buildings & improvements	4,601,799	-	-	4,601,799
Improvements other than buildings	326,579	-	-	326,579
Furniture and equipment	1,199,439	317,907	(33,391)	1,483,955
Total capital assets being depreciated	6,127,817	317,907	(33,391)	6,412,333
Less accumulated depreciation for:				
Buildings and improvements	1,515,287	81,576	-	1,596,863
Improvements other than buildings	261,263	16,329	-	277,592
Furniture and equipment	859,770	120,937	(30,500)	950,207
Total accumulated depreciation	2,636,320	218,842	(30,500)	2,824,662
Total capital assets being depreciated, net	3,491,497	99,065	(2,891)	3,587,671
Governmental activities capital assets, net	<u>\$ 3,653,862</u>	<u>\$ 99,065</u>	<u>\$ (2,891)</u>	<u>\$ 3,750,036</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 166,053	\$ 2,573	\$ -	\$ 168,626
Less accumulated depreciation	130,287	9,998	-	140,285
Business type activities capital assets, net	<u>\$ 35,766</u>	<u>\$ (7,425)</u>	<u>\$ -</u>	<u>\$ 28,341</u>

Depreciation expense was charged to the following functions:

<b>Governmental activities</b>	
Instruction	
Regular	\$ 76,383
Support services	
Student support	326
Instructional staff	1,685
Administration	5,326
Operation and maintenance of plant	4,545
Transportation	21,382
	109,647
Unallocated depreciation	109,195
Total governmental activities depreciation expense	<u>\$ 218,842</u>
<b>Business type activities</b>	
Food services	<u>\$ 9,998</u>

## Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
General obligation bonds	\$ 2,485,000	\$ -	\$(175,000)	\$ 2,310,000	\$ 2,310,000
Refunding bonds	-	2,230,000	-	2,230,000	-
Termination benefits	41,809	-	(14,334)	27,475	15,935
Net OPEB obligation	<u>33,828</u>	<u>33,667</u>	<u>-</u>	<u>67,495</u>	<u>-</u>
Totals	<u>\$ 2,560,637</u>	<u>\$ 2,263,667</u>	<u>\$(189,334)</u>	<u>\$ 4,634,970</u>	<u>\$ 2,325,935</u>

Interest costs incurred and charged to expense on all long-term debt was \$197,050 for the year ended June 30, 2011. During the year ended June 30, 2011, the District made principal payments on total long-term debt of \$175,000.

### Bond Refunding

On December 22, 2010, the District issued \$2,230,000 of general obligation refunding bonds, with interest rates ranging from 1.00% to 3.15%, for a crossover refunding of the general obligation bonds issued March 1, 2002. The District entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. securities. These securities were placed in an escrow account for the express purpose of paying the \$2,310,000 principal on the refunded general obligation bonds when they become callable on May 1, 2012 and the interest on the refunding bonds. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$160,091 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$139,437.

### General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012		\$ -	\$ 47,615	\$ 47,615
2013	1.000%	230,000	47,615	277,615
2014	1.200%	230,000	45,315	275,315
2015	1.500%	235,000	42,555	277,555
2016	1.800%	245,000	39,030	284,030
2017-2021	2.1%-3.15%	<u>1,290,000</u>	<u>112,530</u>	<u>1,402,530</u>
Total		<u>\$ 2,230,000</u>	<u>\$ 334,660</u>	<u>\$ 2,564,660</u>

Payments on the bonds are made directly by the Debt Service Fund.

### **Note 6. Termination Benefits**

The District offered a voluntary early retirement plan to its full-time licensed employees. Eligible employees must have completed at least thirty years of full-time service to the District and must have attained the age of fifty-five years on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education. The Board makes a determination of whether or not to offer the plan by January 15 of each year.

Participating employees are given a \$15,000 credit to pay their health insurance premiums. The District uses the participating retiree's credit to pay for the retiree's single or family health insurance premiums under the District's current health insurance plan or any subsequent plan, for as long as the retiree meets the insurer's qualifications. The participating retiree receives the same level of coverage that they received for the last two years of employment with the District; however the participating retiree can choose to receive single coverage if they previously received family coverage. The District uses the participating retiree's credit to pay for health insurance coverage until the earliest of the following:

- 1) The amount of the participating retiree's credit is exhausted;
- 2) The insurer no longer permits the participating employee to be covered; or
- 3) The participating retiree dies.

At June 30, 2011, the District had obligations to four participants with a total liability of \$27,475. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$14,334.



## **Note 7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10 % of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$152,930, \$172,676 and \$141,280, respectively, equal to the required contributions for each year.

## **Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 64 active and three retired members in the plan. Of the 64 active members, 13 were not eligible and one was older than age 65 and were excluded from the valuation. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 46,329
Interest on net OPEB obligation	846
Adjustment to annual required contribution	<u>(3,117)</u>
Annual OPEB cost	44,058
Contributions made	<u>(10,391)</u>
Increase in net OPEB obligation	33,667
Net OPEB obligation beginning of year	<u>33,828</u>
Net OPEB obligation end of year	<u>\$ 67,495</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$10,391 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 43,647	22.5%	\$ 33,828
2011	46,329	23.6%	\$ 67,495

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$325,262, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$325,262. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.71 million and the ratio of UAAL to covered payroll was 12%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Upon retirement, the retired participant is assumed to pay 100% of the required premium. The District pays for all or part of the active employees' coverage. The amount depends on whether single or family coverage is elected. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 9. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$168,011 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Flexible Fringe Benefits Plan**

The District sponsors a flexible fringe benefit plan as part of its contractual obligation with its employees. The benefit available under the plan is insurance. Each participating employee can choose among medical, life, and dental insurance. The District contributes \$375.00 per month each employee. The difference between the District's contribution and the amount of programs selected by the employee is added or subtracted from the employee's salary. There were 27 participants in the plan for the year ended June 30, 2011.

#### **Note 12. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 13. Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

##### Program

Beginning teacher mentoring and induction program	\$ 924
Teacher salary supplement	2,138
Class size reduction	4,378
Statewide voluntary preschool	32,960
Educator quality, professional development for model core curriculum	9,180
Educator quality, professional development	<u>7,534</u>
	<u>\$ 57,114</u>

#### Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue
	Physical Plant and Equipment	Physical Plant and Equipment
	<u>Levy</u>	<u>Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 30,214
Change in fund type classification per implementation of GASB Statement No. 54	<u>30,214</u>	<u>(30,214)</u>
Balances July 1, 2010, as restated	<u>\$ 30,214</u>	<u>\$ -</u>

#### Note 15. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB

Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

## Required Supplementary Information



LONE TREE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Enterprise Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2011

	Governmental Funds Actual	Enterprise Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 3,049,185	\$ 136,377	\$ 3,185,562	\$ 3,237,808	\$ 3,237,808	\$ (52,246)
State sources	2,081,684	2,201	2,083,885	2,863,802	2,863,802	(779,917)
Federal sources	275,724	99,940	375,664	391,662	391,662	(15,998)
Total revenues	<u>5,406,593</u>	<u>238,518</u>	<u>5,645,111</u>	<u>6,493,272</u>	<u>6,493,272</u>	<u>(848,161)</u>
Expenditures/Expenses						
Instruction	3,156,789	-	3,156,789	3,658,500	3,658,500	501,711
Support services	1,477,717	150	1,477,867	1,674,750	1,674,750	196,883
Non-instructional programs	569	234,157	234,726	254,800	254,800	20,074
Other expenditures	672,167	-	672,167	967,657	967,657	295,490
Total expenditures/expenses	<u>5,307,242</u>	<u>234,307</u>	<u>5,541,549</u>	<u>6,555,707</u>	<u>6,555,707</u>	<u>1,014,158</u>
Excess (deficiency) of revenues over (under)						
expenditures/expenses	99,351	4,211	103,562	(62,435)	(62,435)	165,997
Net other financing sources	<u>2,226,225</u>	<u>15,406</u>	<u>2,241,631</u>	<u>-</u>	<u>-</u>	<u>2,241,631</u>
Excess (deficiency) revenues and other financing						
sources over (under) expenditures/expenses						
and other financing (uses)	2,325,576	19,617	2,345,193	(62,435)	(62,435)	2,407,628
Balance, beginning of year	<u>1,577,981</u>	<u>61,353</u>	<u>1,639,334</u>	<u>1,250,428</u>	<u>1,250,428</u>	<u>388,906</u>
Balance, end of year	<u>\$ 3,903,557</u>	<u>\$ 80,970</u>	<u>\$ 3,984,527</u>	<u>\$ 1,187,993</u>	<u>\$ 1,187,993</u>	<u>\$ 2,796,534</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$325,262	\$325,262	\$ -	\$2,710,991	12.0%
2011	July 1, 2009	-	325,262	325,262	-	2,760,856	11.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	Student	Management	Building	Physical	
	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	Plant and	
				Equipment	
				<u>Levy</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$112,085	\$ 319	\$ 384,080	\$ 12,109	\$508,593
Receivables					
Property tax					
Delinquent	-	830	-	1,640	2,470
Succeeding year	-	66,300	-	135,297	201,597
Total assets	<u>\$112,085</u>	<u>\$ 67,449</u>	<u>\$ 384,080</u>	<u>\$149,046</u>	<u>\$712,660</u>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 3,393	\$ -	\$ -	\$ 3,750	\$ 7,143
Deferred revenue					
Succeeding year property tax	-	66,300	-	135,297	201,597
Total liabilities	<u>3,393</u>	<u>66,300</u>	<u>-</u>	<u>139,047</u>	<u>208,740</u>
Fund balances					
Restricted for					
Student activities	108,692	-	-	-	108,692
Management levy purposes	-	1,149	-	-	1,149
School infrastructure	-	-	384,080	-	384,080
Physical plant and equipment	-	-	-	9,999	9,999
Total fund balances	<u>108,692</u>	<u>1,149</u>	<u>384,080</u>	<u>9,999</u>	<u>503,920</u>
Total liabilities and fund balances	<u>\$112,085</u>	<u>\$ 67,449</u>	<u>\$ 384,080</u>	<u>\$149,046</u>	<u>\$712,660</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>		
	Student	Management	Building	Physical Plant and Equipment	
	<u>Activity</u>	<u>Levy</u>	<u>Projects</u>	<u>Levy</u>	<u>Total</u>
Revenues					
Local sources					
Local taxes	\$ -	\$ 64,998	\$ -	\$ 131,190	\$ 196,188
Other	173,452	-	698	42	174,192
State sources	-	28	-	61	89
Total revenues	<u>173,452</u>	<u>65,026</u>	<u>698</u>	<u>131,293</u>	<u>370,469</u>
Expenditures					
Current					
Instruction					
Regular	-	37,462	-	-	37,462
Other	179,554	-	-	-	179,554
Total instruction	<u>179,554</u>	<u>37,462</u>	<u>-</u>	<u>-</u>	<u>217,016</u>
Support services					
Student	-	327	-	-	327
Instructional staff	-	439	-	28,278	28,717
Administration	-	5,251	-	1,179	6,430
Operation and maintenance of plant	4,445	24,713	-	6,267	35,425
Transportation	-	6,833	-	-	6,833
Total support services	<u>4,445</u>	<u>37,563</u>	<u>-</u>	<u>35,724</u>	<u>77,732</u>
Non-instructional programs	<u>-</u>	<u>569</u>	<u>-</u>	<u>-</u>	<u>569</u>
Other expenditures					
Facilities acquisition	-	-	-	115,784	115,784
Total expenditures	<u>183,999</u>	<u>75,594</u>	<u>-</u>	<u>151,508</u>	<u>411,101</u>
Excess (deficiency) of revenues over					
(under) expenditures	(10,547)	(10,568)	698	(20,215)	(40,632)
Other financing (uses)					
Interfund operating transfers (out)	<u>-</u>	<u>-</u>	<u>(132,000)</u>	<u>-</u>	<u>(132,000)</u>
Net change in fund balances	(10,547)	(10,568)	(131,302)	(20,215)	(172,632)
Fund balances, beginning of year, as restated	119,239	11,717	515,382	30,214	676,552
Fund balances, end of year	<u>\$108,692</u>	<u>\$ 1,149</u>	<u>\$ 384,080</u>	<u>\$ 9,999</u>	<u>\$ 503,920</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
June 30, 2011

Schedule 3

	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$14,596	\$34,276	\$48,872
Due from other governments	-	1,125	1,125
Inventories	4,827	-	4,827
Capital assets, net of accumulated depreciation	<u>28,341</u>	<u>-</u>	<u>28,341</u>
Total assets	<u>47,764</u>	<u>35,401</u>	<u>83,165</u>
<b>Liabilities</b>			
Accounts payable	<u>2,195</u>	<u>-</u>	<u>2,195</u>
<b>Net Assets</b>			
Invested in capital assets	28,341	-	28,341
Unrestricted	<u>17,228</u>	<u>35,401</u>	<u>52,629</u>
Total net assets	<u><u>\$45,569</u></u>	<u><u>\$35,401</u></u>	<u><u>\$80,970</u></u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2011

Schedule 4

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	<u>\$121,210</u>	<u>\$15,061</u>	<u>\$136,271</u>
Operating expenses			
Support services			
Operation and maintenance of plant			
Purchased services	<u>150</u>	<u>-</u>	<u>150</u>
Non-instructional programs			
Food service operations			
Salaries	81,993	-	81,993
Benefits	16,719	-	16,719
Supplies	1,437	-	1,437
Miscellaneous	124,010	-	124,010
Depreciation	<u>9,998</u>	<u>-</u>	<u>9,998</u>
	<u>234,157</u>	<u>-</u>	<u>234,157</u>
Total operating expenses	<u>234,307</u>	<u>-</u>	<u>234,307</u>
Operating income (loss)	<u>(113,097)</u>	<u>15,061</u>	<u>(98,036)</u>
Non-operating revenue			
Interest income	50	56	106
State sources	2,201	-	2,201
Federal sources	<u>99,940</u>	<u>-</u>	<u>99,940</u>
Total non-operating revenue	<u>102,191</u>	<u>56</u>	<u>102,247</u>
Net income (loss) before transfers	(10,906)	15,117	4,211
Interfund operating transfers in	<u>15,406</u>	<u>-</u>	<u>15,406</u>
Net income	4,500	15,117	19,617
Net assets, beginning of year	<u>41,069</u>	<u>20,284</u>	<u>61,353</u>
Net assets, end of year	<u>\$ 45,569</u>	<u>\$35,401</u>	<u>\$ 80,970</u>

See accompanying Independent Auditor's Report.



LONE TREE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2011

Schedule 5

	School <u>Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 121,210	\$15,311	\$ 136,521
Cash payments to employees for services	(98,712)	-	(98,712)
Cash payments to suppliers for goods and services	<u>(109,376)</u>	<u>(581)</u>	<u>(109,957)</u>
Net cash provided by (used in) operating activities	<u>(86,878)</u>	<u>14,730</u>	<u>(72,148)</u>
Cash flows from non-capital financing activities			
Operating transfers from other fund	15,406	-	15,406
State grants received	2,201	-	2,201
Federal grants received	<u>84,806</u>	<u>-</u>	<u>84,806</u>
Net cash provided by non-capital financing activities	<u>102,413</u>	<u>-</u>	<u>102,413</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	<u>(2,573)</u>	<u>-</u>	<u>(2,573)</u>
Cash flows from investing activities			
Interest on investments	<u>50</u>	<u>56</u>	<u>106</u>
Net increase in cash and cash equivalents	13,012	14,786	27,798
Cash and cash equivalents, beginning of year	1,584	19,490	21,074
Cash and cash equivalents, end of year	<u>\$ 14,596</u>	<u>\$34,276</u>	<u>\$ 48,872</u>

**Reconciliation of operating income (loss) to net cash  
provided by (used in) operating activities**

Operating income (loss )	\$(113,097)	\$15,061	\$ (98,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	9,998	-	9,998
Commodities used	15,134	-	15,134
(Increase) in inventory	(318)	-	(318)
Decrease in due from other governments	-	250	250
Increase (decrease) in accounts payable	<u>1,405</u>	<u>(581)</u>	<u>824</u>
Net cash provided by (used in) operating activities	<u>\$ (86,878)</u>	<u>\$14,730</u>	<u>\$ (72,148)</u>

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2011 the District received \$15,134 of federal commodities.

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2011

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance, End of Year
Drama	\$ -	\$ 1,180	\$ 589	\$ (504)	\$ 87
Speech	-	515	528	13	-
Vocal choir	4,540	2,871	6,316	-	1,095
Band activity	3,544	5,635	4,326	-	4,853
Athletics	10,011	36,348	40,156	-	6,203
Cross country	12	981	858	-	135
Boys' basketball	1,017	6,035	6,560	-	492
Youth boys' basketball	2,138	-	278	-	1,860
Football	-	12,207	12,423	216	-
Boys' baseball	1,199	1,448	150	-	2,497
Golf	-	909	898	(6)	5
Wrestling	659	1,111	1,021	-	749
Girls' basketball	-	5,515	6,087	572	-
Volleyball	1,973	1,212	1,098	-	2,087
Softball	61	10,255	10,485	169	-
Student council	1,080	151	82	-	1,149
Annual	3,090	4,286	4,696	-	2,680
Newspaper	684	-	-	-	684
National Honor Society	745	956	1,061	-	640
Cheerleading	440	1,472	1,632	-	280
ELP	116	-	-	-	116
PBS	(134)	778	765	121	-
FFA	8,786	20,629	21,429	-	7,986
FFA projects	8,522	-	-	-	8,522
FCCLA	377	2,228	2,253	-	352
Elementary play fund	1,304	-	765	-	539
Project Pride	455	-	-	-	455
Math and science club	454	-	-	-	454
Art club	824	-	87	-	737
Art projects	225	-	-	-	225
Spanish club	3,174	34	56	-	3,152
Special	1,916	12,811	13,587	828	1,968
Band Uniforms	-	-	2,356	2,356	-

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2011

Schedule 6

Account	Balance, Beginning of Year	Revenues	Expenditures	Intra-fund Transfers	Balance, End of Year
Interest	\$ 4,325	\$ 424	\$ 1,038	\$ (3,658)	\$ 53
JH student council	200	169	-	-	369
Elementary student council	37,681	9,598	5,611	-	41,668
Music boosters club	733	-	-	-	733
Dance squad	3,228	8,706	7,171	-	4,763
Box tops for education	175	-	-	-	175
Parent partner activity	1,820	-	-	-	1,820
Class of 2007	531	-	-	-	531
Class of 2008	491	-	-	-	491
Class of 2009	1,046	-	-	-	1,046
Class of 2010	1,828	-	-	-	1,828
Class of 2011	2,286	2,353	4,186	-	453
Class of 2012	457	8,575	6,848	-	2,184
Class of 2013	-	1,136	759	(377)	-
Class of 2017	-	2,504	2,774	270	-
Athletic banquet fund	267	-	-	-	267
Fine arts fund	6,843	5,075	10,421	-	1,497
Middle school activities	<u>116</u>	<u>5,345</u>	<u>4,649</u>	<u>-</u>	<u>812</u>
Totals	<u>\$ 119,239</u>	<u>\$ 173,452</u>	<u>\$ 183,999</u>	<u>\$ -</u>	<u>\$ 108,692</u>

See accompanying Independent Auditor's Report.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Eight Years

Schedule 7

	Modified Accrual Basis							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues								
Local sources								
Local tax	\$2,252,685	\$2,156,694	\$2,163,875	\$1,996,416	\$1,549,107	\$1,471,911	\$1,533,092	\$1,535,975
Tuition	518,052	481,370	505,364	500,922	482,877	500,515	441,471	390,859
Other	278,448	231,051	238,676	292,365	389,636	286,616	227,605	221,756
State sources	2,081,684	1,724,522	1,895,048	1,782,615	1,645,153	1,555,008	1,418,468	1,366,108
Federal sources	275,724	330,693	144,465	105,142	108,460	102,010	104,197	78,511
Total revenues	<u>\$5,406,593</u>	<u>\$4,924,330</u>	<u>\$4,947,428</u>	<u>\$4,677,460</u>	<u>\$4,175,233</u>	<u>\$3,916,060</u>	<u>\$3,724,833</u>	<u>\$3,593,209</u>
Expenditures								
Current								
Instruction								
Regular	\$1,812,921	\$1,648,885	\$1,632,057	\$1,740,169	\$1,583,853	\$1,768,978	\$1,384,705	\$1,351,801
Special	565,252	470,654	473,013	433,192	429,335	21,694	270,118	218,710
Other	778,616	852,776	671,197	524,480	550,726	509,967	396,582	441,243
Support services								
Student	80,622	96,756	100,401	111,851	118,810	110,542	41,192	38,859
Instructional staff	197,384	129,707	153,055	105,427	120,640	72,594	28,164	89,936
Administration	575,115	547,561	540,130	530,132	471,290	429,260	412,302	394,132
Operation and maintenance of plant	505,655	460,863	422,496	418,067	389,579	379,940	332,059	318,191
Transportation	118,941	215,215	119,116	142,995	122,138	131,664	155,031	102,842
Non-instructional programs	569	154	161	149	134	107	9,353	18,301
Other expenditures								
Facilities acquisition	148,563	157,567	324,702	439,356	108,182	122,632	117,898	836,027
Long-term debt								
Principal	175,000	165,000	160,000	150,000	145,000	135,000	130,000	125,000
Interest and other charges	180,593	124,663	132,613	140,112	147,363	154,112	160,612	166,863
AEA flowthrough	168,011	153,772	139,660	128,211	120,260	113,111	111,110	112,742
Total expenditures	<u>\$5,307,242</u>	<u>\$5,023,573</u>	<u>\$4,868,601</u>	<u>\$4,864,141</u>	<u>\$4,307,310</u>	<u>\$3,949,601</u>	<u>\$3,549,126</u>	<u>\$4,214,647</u>

See accompanying Independent Auditor's Report.

**KAY L. CHAPMAN, CPA PC**

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563-264-1385

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education  
Lone Tree Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lone Tree Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 23, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lone Tree Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Lone Tree Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Lone Tree Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items A, B and C to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lone Tree Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lone Tree Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Lone Tree Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lone Tree Community School District and other parties to whom Lone Tree Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Lone Tree Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
January 23, 2012

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing of cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

- C. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The District did not include the interest earned on investments and paid on bonds by the escrow agent on the refunding bonds on the CAR. These errors resulted in the Debt Service Fund balance reported on the CAR being overstated by \$14,588. These misstatements will result in a correction to the beginning balance of the Debt Service Fund on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.



LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Department of Education timely; however, material misstatements in some of the amounts reported were detected, as indicated in item C above.

Recommendation - The District should ensure that the beginning fund balance of the Debt Service Fund on next year's Certified Annual Report be properly corrected.

Response - We will correct the beginning balance of the Debt Service Fund on our CAR for the year ending June 30, 2012, as recommended.

Conclusion - Response accepted.

11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2011

12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 429,676
Revenues		
Statewide sales and services tax revenue		485,149
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 32,779	
Equipment	<u>218,074</u>	<u>250,853</u>
Ending balance		<u>\$ 663,972</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

LONE TREE COMMUNITY SCHOOL DISTRICT  
Audit Staff  
June 30, 2011

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant